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Supreme Court of the United States

OCTOBER TERM, 1944.

No. 672.

INTERNATIONAL CARRIER-CALL AND TELEVISION CORPORATION,

Petitioner,

against

RADIO CORPORATION OF AMERICA,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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This brief is submitted in opposition to the petition of International Carrier-Call and Television Corporation for review on writ of certiorari of a decision by the United States Circuit Court of Appeals for the Second Circuit affirming a judgment of the United States District Court for the Southern District of New York.

As the petition contains a sketchy and confusing presentation of the proceedings herein, a brief summary thereof will be set forth.

Statement of Facts.

In March, 1942 the petitioner instituted this suit, based on alleged unfair competitive acts of the respondent against

the petitioner and its subsidiary and assignor, American Carrier-Call Corporation (hereinafter sometimes referred to as "American"), arising out of the sale of certain intercommunicating devices (p. 19).* The petitioner based its alleged right to maintain that portion of the cause of action which asserted that the respondent unfairly competed with American on an alleged assignment of any and all claims the latter might have had against the respondent (pp. 5-6). This assignment was originally sold by American's Trustee in Bankruptcy for $50 and through various mesne assignments finally vested in the petitioner (p. 69). Issue was joined by the filing of the answer herein on May 20, 1942 (p. 18).

On or about April 22, 1942, the respondent was permitted to file a supplemental answer pleading the affirmative defense of *res judicata* to that part of the complaint which alleged unfair competition against the petitioner itself. This defense was based upon a dismissal of an identical cause, with prejudice (pp. 58, 70, 73), in a prior action which the petitioner brought against the respondent in February, 1939.**

The petitioner secured an order to show cause from the district court on the very eve of trial seeking under one

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* Page references are to the record filed in support of the instant petition.

** In February, 1939, the petitioner brought suit against the respondent for infringement of patent and for unfair competition against petitioner and American. (This suit will hereinafter be referred to as the "prior action".) The petitioner was prohibited from offering any evidence on the trial in connection with the alleged unfair competitive acts against *American* inasmuch as petitioner was held not to be vested with any rights American might have had against the respondent. The cause of action complaining of unfair competition against *petitioner* was dismissed with prejudice upon the trial. The court, after trial, dismissed the patent infringement action, and the Circuit Court of Appeals affirmed. 142 F. (2d) 493. Petitioner's motion for reargument was denied on November 15, 1944.

guise or another to oust the district court of jurisdiction which petitioner itself had invoked (pp. 43-53). The order to show cause was argued *in extenso* at the commencement of the trial. The trial judge denied the motion and held that the court had jurisdiction (pp. 54-55).

At the opening of trial, the respondent moved for a dismissal of the action insofar as it complained of unfair competition against the petitioner, as distinct from American. This motion was based upon the respondent's affirmative defense of *res judicata*. The trial judge granted this motion and the record discloses that petitioner's attorney consented and agreed to the dismissal (p. 70).

The trial proceeded on the merits with respect to the claim of unfair competition against the petitioner's assignor, American. The trial consumed two days, and the petitioner's attorney was the only witness. Upon the close of the petitioner's case, the respondent moved for a dismissal of the complaint on the ground that there was not a scintilla of evidence in support of any of the allegations in the complaint (p. 71). This motion was granted by the trial judge (p. 72), and he subsequently entered his findings of fact and conclusions of law (pp. 56-59).

The petitioner thereafter appealed to the Circuit Court of Appeals for the Second Circuit from the judgment of dismissal and from various intermediate orders, including the trial judge's determination of the existence of jurisdicton over that portion of the cause of action which alleged unfair competition against American. The Circuit Court of Appeals affirmed the decision of the district court on the opinion below (p. 79).

The order for mandate entered by the Circuit Court of Appeals was dated June 14, 1944 (p. 80) and accordingly petitioner's time to apply for a writ of certiorari expired on September 14, 1944.

The petitioner applied to this Court *ex parte* for an order extending its time within which to petition for certiorari, and the records of this Court show that the application was filed on September 18, 1944—four days subsequent to the expiration of its time to apply for certiorari. This application was granted by Mr. Justice Jackson upon the express condition that it was effective only if the time to petition for certiorari had not already expired.

POINTS.

FIRST.

The Court is without jurisdiction to entertain the instant petition.

Section 8 of the Act of February 13, 1925 (28 U. S. C. A. 350) provides:

> "No writ of error, appeal, or writ of certiorari, intended to bring any judgment or decree before the Supreme Court for review shall be allowed or entertained unless application therefor be duly made within three months after the entry of such judgment or decree, * * *"

The section above quoted contains the further provision that:

> "For good cause shown either of such periods for applying for a writ of certiorari may be extended not exceeding 60 days by a justice of the Supreme Court."

It is respectfully submitted that this Court lacks jurisdiction to entertain the instant petition because:

(1) The petition was filed on November 13, 1944 and consequently not within 90 days from the date of the order for mandate; and

(2) The extension granted by Mr. Justice Jackson was not effective in view of the fact that the condition expressed in his order was not met, i.e., the time within which to petition for certiorari had already expired.

SECOND.

The petition fails to present grounds which would warrant a review on certiorari by this Court.

The petitioner fails to assign any error committed in the instant suit and merely avers that the ground for the petition is that the "Courts below have entered conflicting decrees on the question of federal jurisdiction of the District Court to try the issues of unfair competition raised by the pleadings herein" (Pet., par. 1). The alleged conflicting decrees referred to is the finding of the trial court in the instant suit to the effect that jurisdiction exists over the assigned claim of American by reason of diversity of citizenship, and to the orders of the court in the *prior action* which refused to permit third parties to intervene in that action.

The petitioner, in failing to state whether it contends that the findings in the prior action were erroneous or whether the finding in the instant case was erroneous, merely represents to this Court that "the Courts below cannot be correct in both positions" (Pet., par. 11).

It is submitted that the only possible issue presented upon this petition is whether the Circuit Court of Appeals' affirmance of the District Court's determination that jurisdiction existed in this case over the assigned unfair competition cause of action was correct. This Court cannot now review the correctness of orders entered in *another* action. The orders complained of, set forth in paragraph 5 of the

petition, were not made in the instant case but in the *prior action* between the parties. Their correctness is therefore not in issue here.*

A. Basis of Jurisdiction.

The case at bar involves but one plaintiff and one defendant (p. 70) and seeks recovery for alleged unfair competitive action by the respondent against the petitioner and against the petitioner's assignor, American (pp. 68-69).

The admitted facts disclose the diverse citizenship of the parties to be as follows: petitioner is a New York corporation (p. 3); the respondent is a Delaware corporation (p. 3); (petitioner's assignor, American, is a Delaware corporation (p. 4)).

There are and always have been, only two parties to this suit. No allegation is made, nor is there any evidence, of any other person who has any interest in this suit other than the petitioner itself. The petitioner, consequently, is the only one who can maintain the action in view of the

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* The petitioner speaks of the "law of the case" in the instant action as being determined by orders made in the prior action (Pet., par. 7). The petitioner contends that the denial of applications to implead other parties plaintiff in the *prior action* because of the absence of diversity of citizenship commands a holding, in the instant case, of lack of jurisdiction. This contention is novel, to say the least. The parties sought to be impleaded in the first and second instances set forth in Judge Mandelbaum's decision (Pet., par. 5) were not of diverse citizenship from the citizenship of the defendant in that action, and consequently the facts there are distinguishable from the facts in the instant case. In the final instance set forth in Judge Mandelbaum's decision (Pet., par. 5), wherein petitioner claims to have sought to amend its complaint in the *prior action* by adding an additional cause of action by reason of a recent assignment to the petitioner from the individuals theretofore sought to be impleaded, was properly denied. This denial was obviously not based on the lack of diversity of citizenship but on the ground that the cause of action sought to be included was separate and distinct from the claims already made and at a time when the litigation between the parties in the prior action had been pending for more than three years.

mandate contained in Rule 17(a) of the Federal Rules of Civil Procedure, which provides in part as follows:

> "Every action shall be prosecuted in the name of the real party in interest; * * *."

The petitioner instituted the present action in the district court and based jurisdiction on the diverse citizenship of the respondent and itself (p. 3). This was pursuant to Section 24(1) of the Judicial Code (28 U. S. C. A. 41(1)) which confers jurisdiction upon district courts as follows:

> "First. Of all suits of a civil nature, at common law or in equity, * * * where the matter in controversy exceeds, exclusive of interest and costs, the sum or value of $3,000, * * * (b) Is between citizens of different states, * * *."

B. The fact that the present claim is based on an assignment does not destroy diversity.

The jurisdiction of the court is based on the diverse citizenship of the parties, 28 U. S. C. A. 41(1), *supra.* The only restriction upon this statutory jurisdiction of the district court is contained in two statutes (*Moore's Fed. Practice,* Vol. 2, Sec. 17.03):

(a) Section 37 of the Judicial Code (28 U. S. C. A. 80), commands the dismissal of an action in order to prevent collusive jurisdiction. This statutory restriction is obviously inapplicable (*Moore's Fed. Practice,* Vol. 2, Sec. 17.04), in view of the fact that the plaintiff bases its right to recover for the alleged violations of American's rights on the assignment, and there is no proof or, indeed, any allegation before this Court that the said assignment is sham or collusive and for the purpose of acquiring jurisdiction.

(b) Section 24(1) of the Judicial Code (28 U. S. C. A. 41(1)), relating to suits by assignees provides that:

> "No district court shall have cognizance of any suit * * * to recover *upon any promissory note or other chose in action* in favor of any assignee, * * * unless such suit might have been prosecuted in such court to recover upon said note or other chose in action if no assignment has been made." (Italics supplied)

This legislative restriction upon suits by assignees, in the grant of original jurisdiction to the district courts, has been the subject of repeated interpretation by the courts. The restriction by the express language of the statute applies only where recovery is sought upon (a) "any promissory note" or (b) "other chose in action in favor of any assignee."

The courts have uniformly interpreted the words "chose in action", as used in the above statute, to mean choses in action arising *ex contractu* and not those arising *ex delictu.*

The leading case of *Brown* v. *Fletcher,* 235 U. S. 589 (1914), is the latest decision of this Court on this statute. Its full treatment of the authorities demonstrates the law to be well settled on the interpretation to be placed upon those words:

> "It is said, however, that this case does not relate to the sale of land, or of things, or even to a transfer of a definite fund, but to two assignments of $35,000, —to be made out of money or property in the hands of a trustee. It is claimed that this was an assignment of a chose in action within the meaning of §24 of the Judicial Code. *Giving the words of the statute the most extensive construction authorized by previous decisions, they can only refer to a chose in action based on contract. Kolze* v. *Hoadley,* 200 U. S. 76, 83. The restriction on jurisdiction is limited to cases

where A is indebted to B on an express or implied promise to pay; B assigns this debt or claim to C, and C as assignee of such debt sues A thereon or to foreclose the security. Or where A has contracted with B and B assigns the contract to C who sues to enforce his rights, by Bill for specific performance or, by an action for damages for breach of the contract. *Shoecraft* v. *Bloxham*, 124 U. S. 730, 735" (p. 598) (Italics supplied).

Ambler v. *Eppinger*, 137 U. S. 480 (1890);
Kolze v. *Hoadley*, 200 U. S. 76 (1905);
Moore's Fed. Practice, Vol. 2, p. 2033.

The rule is succinctly stated in *Hughes' Federal Practice*, Vol. 2, Sec. 928, as follows:

"A suit by an assignee of an action founded on tort is not a suit on a chose in action."

Similarly, Simkins, in his work on *Federal Practice*, page 372, states:

" 'Choses in action' do not include rights of action founded on a wrongful act or neglect of duty causing damages, but are limited to suits founded upon contract containing within themselves some promise or duty to be performed."

The action here is for unfair competition. Such a cause of action is *ex delictu*, whether it be considered as sounding in fraud, as where a fraudulent intent is present, or as an invasion of a property right, where the fraudulent intent is absent and the actionable wrong consists of a neglect of duty imposed by law, to wit, one shall not so conduct his business as to injure the business of a competitor. Obviously, such an action cannot be said to be *ex contractu* or based on a tort arising out of a contract, especially where

there never were any contractual relations between the parties. It follows, therefore, that an action for unfair competition is not a "chose in action" within the purview of the above statute.

Conclusion.

The respondent respectfully submits that the District Court and the Circuit Court of Appeals have correctly sustained jurisdiction in the instant suit and that accordingly certiorari should be denied.

Dated: New York, N. Y., December 14, 1944.

Respectfully submitted,

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